

Small Business Loans Under the CARES Act

Paycheck Protection Program (PPP)		Economic Injury Disaster Loans (EIDLs)
<p>The PPP loan program is one of the SBA's primary programs for providing financial assistance to small business concerns.</p> <p>The CARES Act includes a \$349 billion package for the PPP loan program through December 31, 2020.</p>	Overview	<p>The EIDL program is available for certain business located in an area affected by a disaster — such as a public health disaster — that have suffered a substantial economic injury as a result of such disaster.</p> <p>The CARES Act includes a \$10 billion package to expand the SBA EIDL program to additional eligible businesses impacted by the COVID-19 pandemic.</p>
<p>All U.S. entities, for-profit or non-for-profit, with less than 500 employees are eligible.</p> <p>Sole-proprietors, independent contractors, and self- employed individuals.</p>	Who is eligible?	<p>All U.S. entities, for-profit or non-for-profit, with less than 500 employees are eligible.</p> <p>Sole-proprietors, independent contractors, and self- employed individuals.</p>
<p>An applicant must qualify as an eligible business as described above.</p>	Eligibility Requirement	<p>In addition to above requirement,</p> <p>The borrower business must have suffered "substantial economic injury" as a direct result of a declared disaster.</p> <p>The applicant must not own property subject to a judgment lien owned by the US government.</p>
<p>The lesser of:</p> <ol style="list-style-type: none"> 1. 2.5 times the average of monthly payroll cost for last twelve months, or 2. \$10 million. 	Loan Amount	<p>Up to \$2 million</p> <p>However, the actual loan amount is limited to economic injury as determined by SBA.</p>
<p>Max 4% interest rate</p>	Interest Rate	<p>Max 3.75% interest rate for small business</p> <p>Max 2.75% for nonprofits</p>
<p>Maximum maturity of 10 years</p>	Loan Maturity	<p>Maximum maturity of 30 years</p>
<p>No application fees</p>	Applicable Fees	<p>No application fees</p>
<p>Deferments of principal and interest payments for a period of at least six months and not to exceed one year.</p>	Deferments	<p>The CARES Act does not address deferment for EIDLs.</p>
<p>During the covered period (February 15, 2020 and June 30, 2020), proceeds from a PPP loan may be used for:</p> <ul style="list-style-type: none"> – Payroll costs – Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums – Employee salaries, commissions, or similar compensations; – Payments of interest on any mortgage obligation (other than prepayment); – Rent payments – Utility payments, or – Interest on any other debt obligations that were incurred before February 15, 2020 	Allowable Usage	<p>Traditionally, EIDLs are permitted for only:</p> <ul style="list-style-type: none"> – Working capital necessary to carry the business – Expenditures necessary to alleviate the specific economic injury <p>The CARES Act expands the allowable uses of EIDLs to include:</p> <ul style="list-style-type: none"> – Providing paid sick leave to employees unable to work due to the direct effect of COVID-19 – Maintaining payroll to retain employees – Meeting increased costs to obtain materials unavailable from the applicant's original source because of interrupted supply chains – Making rent or mortgage payments – Repaying obligations that cannot be met due to revenue losses
<p>Borrowers can apply for loan forgiveness equal to the costs incurred and payments made during the 8-week period immediately following the issuance of the loan on the following:</p> <ul style="list-style-type: none"> – Payroll costs (excluding compensation over \$100,000); – Interest on mortgages; and – Payments of rent and utilities. <p>To qualify for loan forgiveness, the borrower has to maintain the same number of employees between February 15 and June 30 that it did during the same period in 2019 or from January 1, 2020 through Feb 15, 2020.</p> <p>No reduction in employee wages by more than 25% for employees making less than \$100,000.</p>	Loan Forgiveness or Advance	<p>EIDLs are not eligible for loan forgiveness.</p> <p>However, under the CARES Act, an applicant is not required to repay any amounts of an advance provided under the Act even if the applicant is subsequently denied the EIDL grant.</p>
<p>No collateral or personal guarantees are required.</p>	Collateral and Enforcement of Loans	<p>No personal guarantee for a loan up to \$200,000.</p> <p>However, collateral is generally required for loans of more than \$25,000.</p>
<p>Loan will be provided by banks and administered by SBA. As such, borrower will have to apply for the loan through SBA preferred lenders.</p>	Application Process	<p>Loans are provided directly by SBA. Applicant can submit application and supporting documents online.</p>